

Public Schools

EDUCATION FUNDING

How School Education Funding Works



Commitment to Education

- The single GREATEST EXPENDITURE of the State of Michigan is the funding of education to children.
 - Total is \$12.5 BILLION for fiscal year 2004-2005.



Source: Senate Fiscal Agency

Where Education Funds Come from: Taxpayers

Michigan taxpayers support education through:

- **The General Fund**

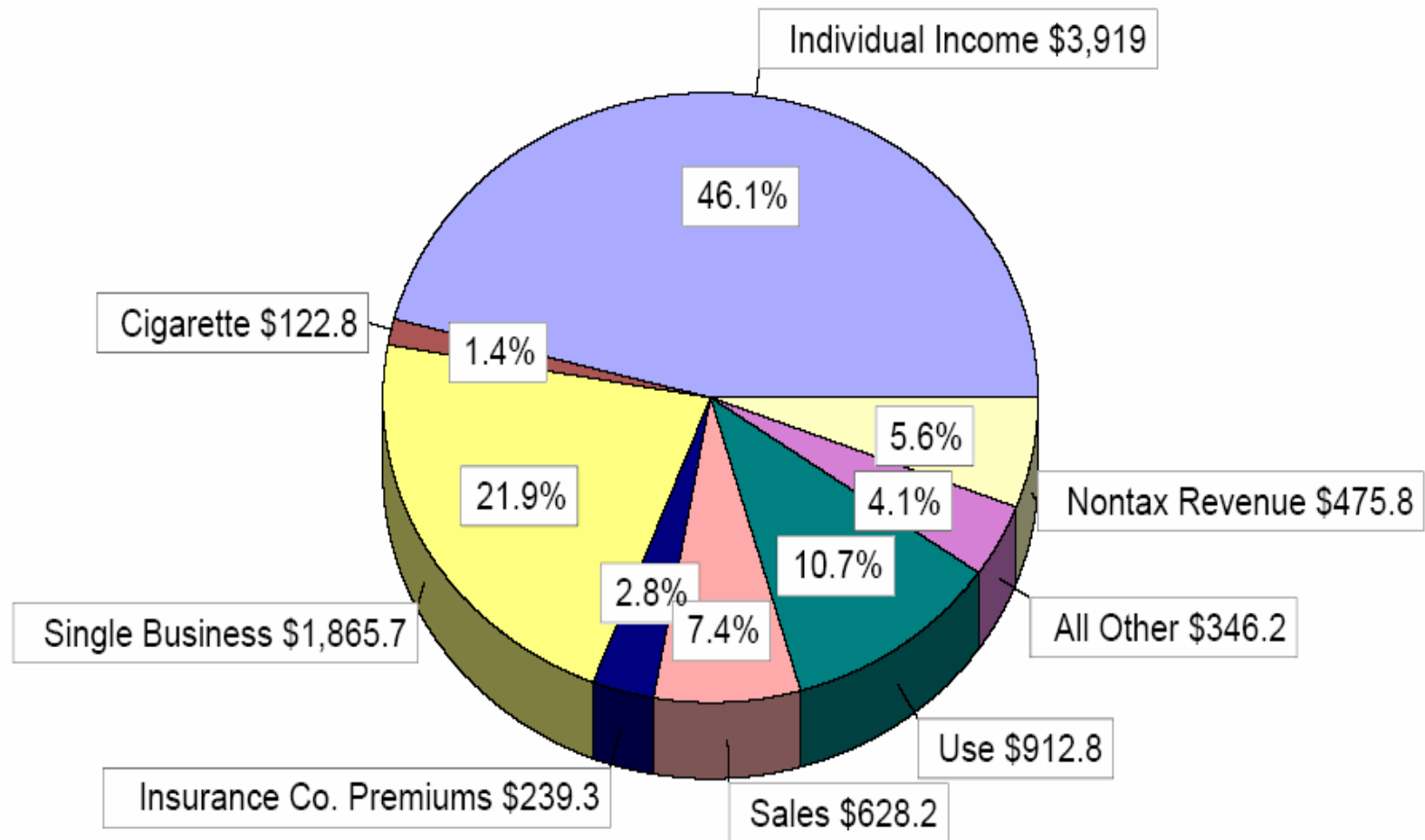
- Total: \$8.5 billion, of that \$165.2 million goes to education (FY 2004/05).

- **The School Aid Fund**

- The School Aid Fund was created by Proposal A. It's made up of 4.4 cents of the 6-cent sales tax and a statewide property tax plus others. Its dollars support schools and intermediate districts.

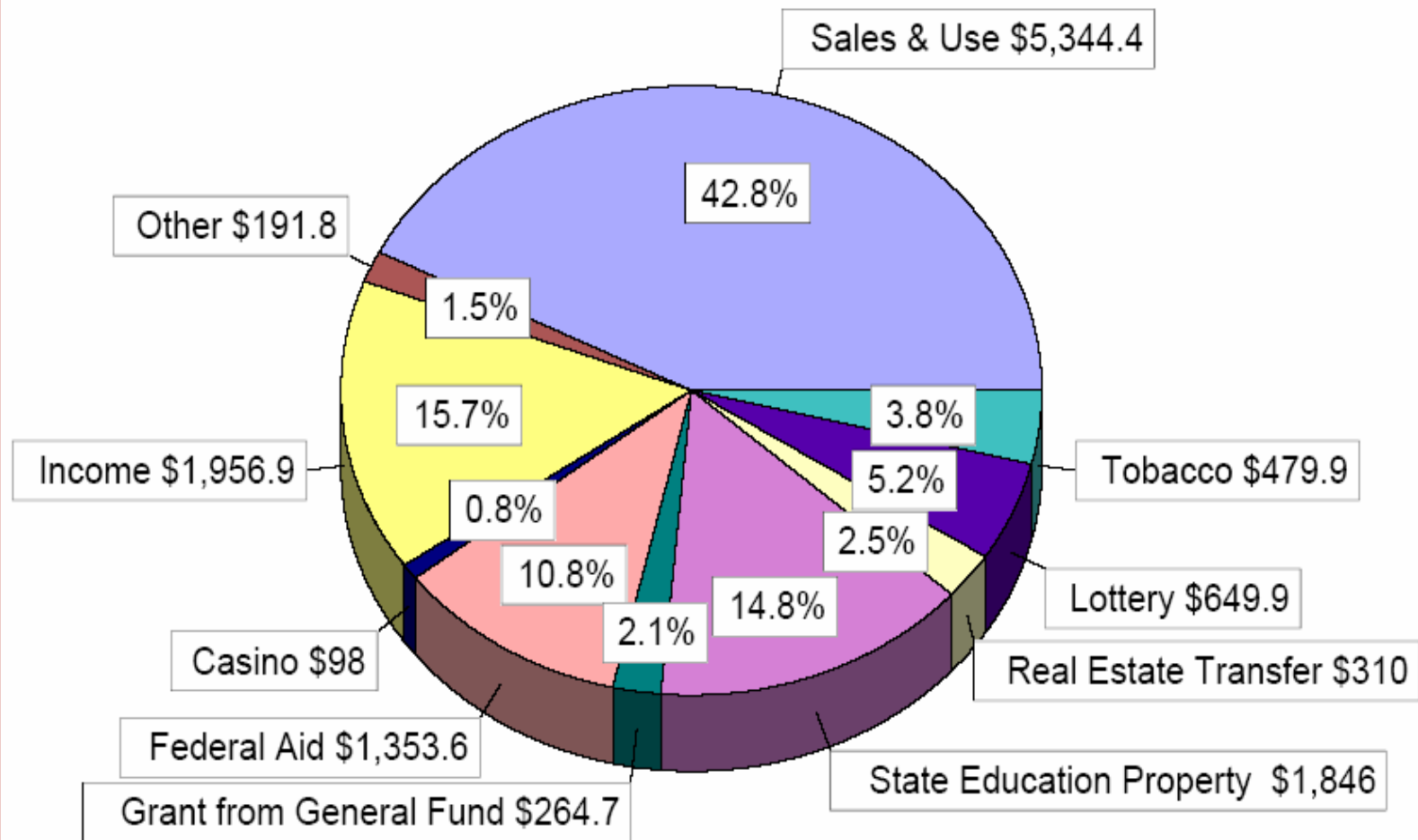
- Total: \$10.9 billion.

General Fund/General Purpose Revenue: FY 2004-05 (Millions of Dollars)

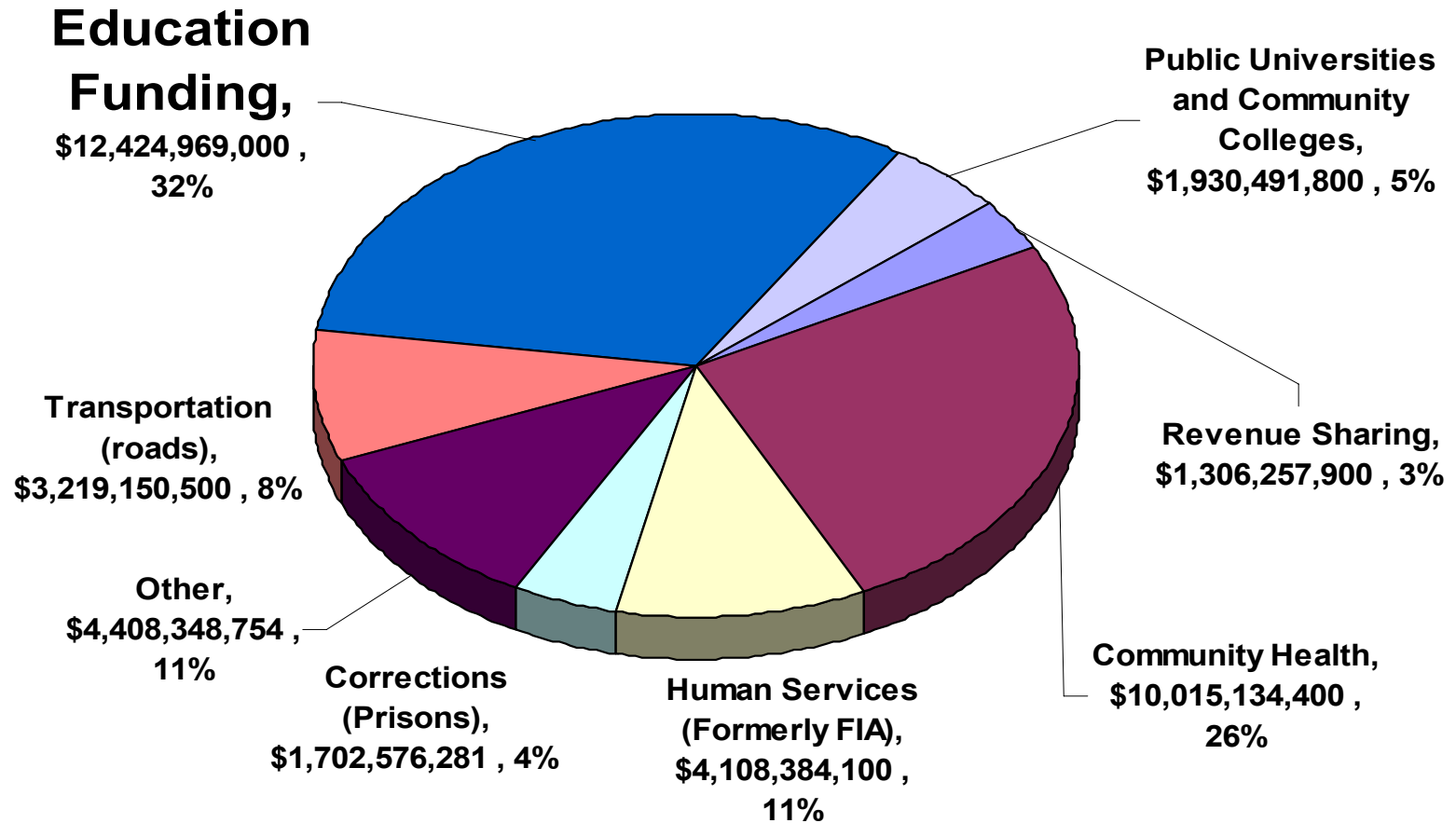


School Aid Fund Revenue Estimates: FY 2004-05

(Millions of Dollars)



Total State Appropriations, Fiscal Year 2003-2004 (\$39.1 billion total)



Percentage of state budget dedicated to education funding

Top 10 States

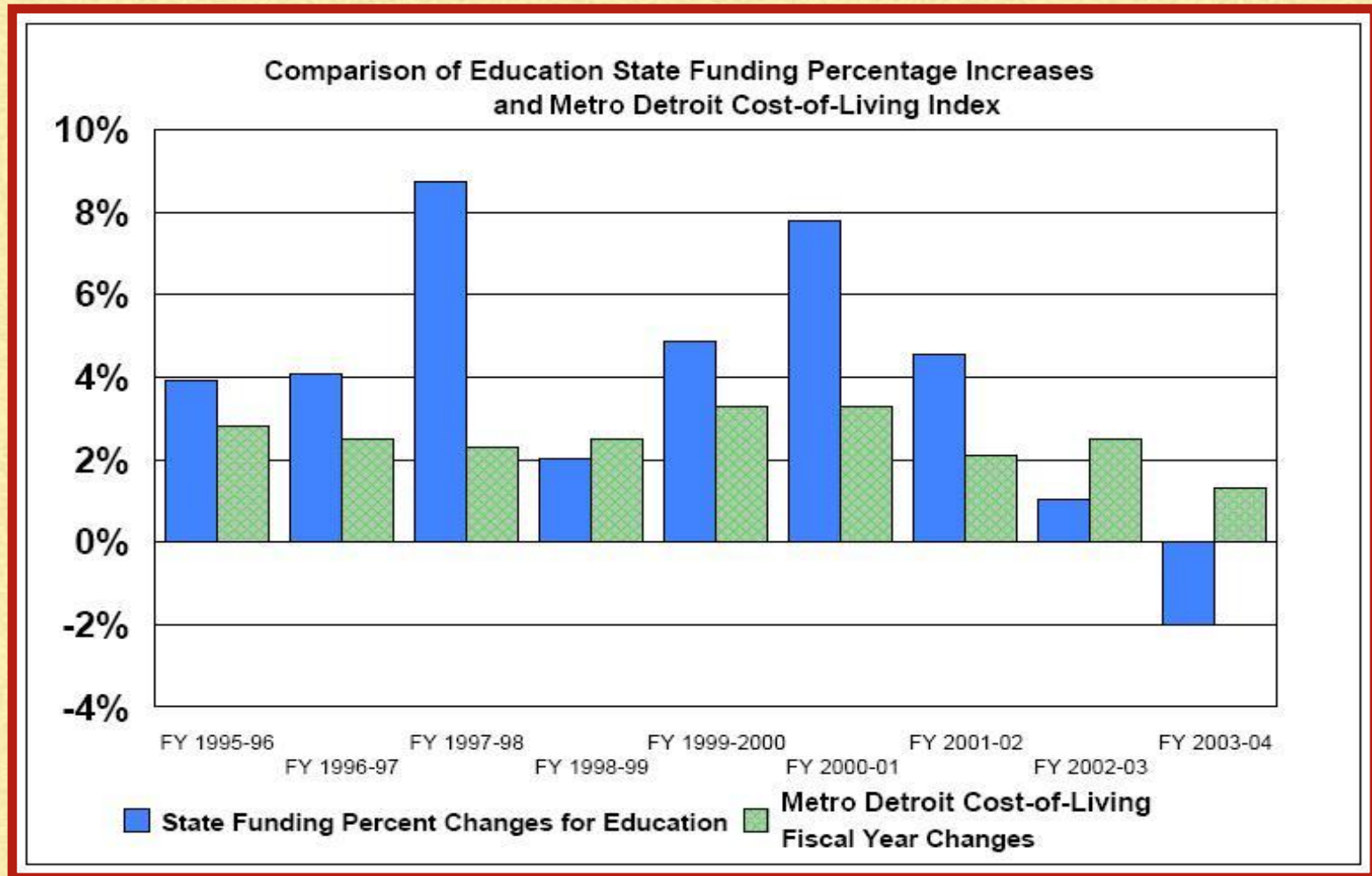
1. Vermont	38 %
2. Michigan	31.35%
3. Utah	30.5%
4. Texas	28.8
5. New Hampshire	27.5%
6. Georgia	26.9%
7. Idaho	26.6%
8. Minnesota	26.4%
9. Missouri	25%
10. Kansas	24.9%

Changes to Education Funding

- The School Aid Fund has not been affected by the economic slowdown as much as the General Fund.
- School funding outpaced inflation in six of the last nine years.

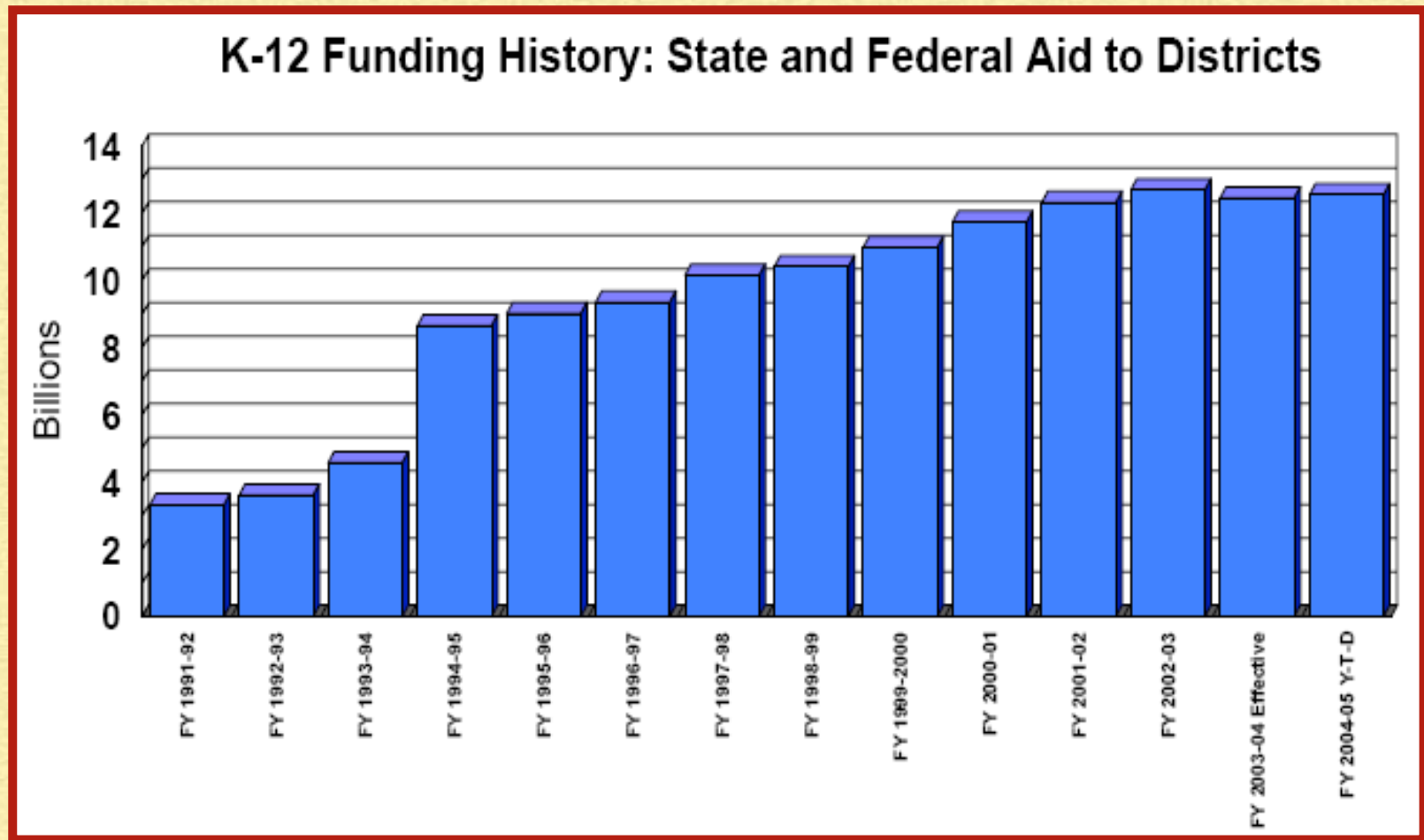


School Funding Compared to Living Costs



Source: Senate Fiscal Agency

Education Funding History



Source: Senate Fiscal Agency

State Spending from State Resources

Total Spending Compared to Selected Budget Areas FY 2000-2001 to FY 2004-2005		
Department/ Budget Area	4-Year Dollar Change	4-Year Percentage Change
Community Health	\$1,029,605,200	33.4%
Corrections	\$85,497,100	5.1%
K-12 School Aid	\$441,615,000	4.1%
Community Colleges	\$-35,663,100	-10.9%
Higher Education	\$-213,225,500	-11.1%
Revenue Sharing	\$-256,963,000	-15.5%
Total State Spending	\$696,340,000	2.7%

Source: Senate Fiscal Agency

K-12 School Aid Funding

Gross Appropriation from 2000-2005

<u>Year</u>	<u>Amount</u>
2000-01	\$10,892,285,000
2001-02	\$11,430,146,400
2002-03	\$12,555,076,800
2003-04	\$12,424,969,000
2004-05	\$12,427,940,100

In the 22nd Senate District

Per Pupil Funding History for Schools FYs 1993-94 - 2004-05

District Code	District Name	FY 1993-94 Base	FY 1994-95 Found.	FY 1995-96 Found.	FY 1996-97 Found.	FY 1997-98 Found.	FY 1998-99 Found.	FY 1999-00 Found.	FY 2000-01 Found.	FY 2001-02 Found.	FY 2003, '04, '05 Found.	Pot. Change FY 1994-2006
LIVINGSTON												
47000	LIVINGSTON I.S.D.	0.00	0	0	0	0	0	0	0	0	0	0.00
47010	BRIGHTON AREA SCHOOLS	5,141.98	5,355	5,508	5,663	5,817	5,817	6,055	6,356	6,656	6,856	33.33
47030	FOWLERVILLE COMMUNITY SCHOOLS	4,533.61	4,770	5,014	5,257	5,462	5,462	5,700	6,000	6,500	6,700	47.79
47060	HARTLAND CONSOLIDATED SCHOOLS	5,100.09	5,314	5,467	5,622	5,776	5,776	6,014	6,315	6,615	6,815	33.63
47070	HOWELL PUBLIC SCHOOLS	4,803.27	5,030	5,183	5,338	5,492	5,492	5,730	6,031	6,500	6,700	38.49
47080	PINCKNEY COMMUNITY SCHOOLS	4,402.92	4,644	4,902	5,161	5,413	5,413	5,700	6,000	6,500	6,700	52.17
47901	LIVINGSTON TECHNICAL ACADEMY	0.00	0	5,183	5,338	5,492	5,492	5,730	6,031	6,500	6,700	0.00
47902	LIVINGSTON DEVELOPMENTAL	0.00	0	0	5,622	5,776	5,776	6,014	6,315	6,615	6,815	0.00

Across the State

Per Pupil Foundation Allowance Calculations for Selected School Districts FY 2004-05 (Based on June 20, 2005 Status Reports)

School District	A District's Total Calculated Foundation Allowance	B State Capped Foundation Allowance*	C Per Pupil 18 Mill Local Revenue**	D Per Pupil State Portion of Foundation Allowance	E Per pupil Sec. 20j Payment (B-C-D)	F Remaining FA Collected via Hold Harmless Millage (A-C-D-E)
Saugatuck Public Schools	\$8,331	\$8,000	\$4,142	\$3,558	\$300	\$331
Brighton Area Schools	\$6,856	\$6,856	\$1,405	\$5,451	0	0
Fowlerville Community Schools	\$6,700	\$6,700	\$590	\$6,110	0	0
Bloomfield Hills School District	\$11,954	\$8,000	\$1,801	\$6,079	\$119	\$3,954
Ann Arbor Public Schools	\$9,234	\$8,000	\$3,113	\$4,654	\$233	\$1,234

Source: Senate Fiscal Agency

*This is the maximum amount the State pays. Any amount above this is collected via hold harmless millage levied locally.

**State assumes that full 18 mills are levied.

Lottery Revenue

- Despite widespread belief to the contrary, 100% of profits from the state lottery are put directly into the School Aid Fund.
- Since 1972, the lottery has contributed more than \$12 billion to education.
- Lottery dollars make up **about 6%** of the School Aid Fund.



State-wide Ranking

Livingston County School Districts Per-Pupil Funding and Statewide Ranking

<u>Year</u>	<u>Pinckney Schools</u>	<u>Pinckney's Rank</u>	<u>Fowlerville Schools</u>	<u>Fowlerville's Rank</u>	<u>Howell Schools</u>	<u>Howell's Rank</u>	<u>Hartland Schools</u>	<u>Hartland's Rank</u>	<u>Brighton Schools</u>	<u>Brighton's Rank</u>
Base 1993-94	4,402.92	381	4,533.61	320	4,803.27	235	5,100.09	167	5,141.98	160
FY 1994-95	4,644.98	380	4,770.56	320	5,030.20	235	5,314.87	167	5,355.73	159
FY 1995-96	4,902.98	382	5,014.56	322	5,183.20	235	5,467.87	167	5,508.73	159
FY 1996-97	5,161.01	382	5,257.98	322	5,338.20	235	5,622.87	167	5,663.73	159
FY 1997-98	5,413.47	382	5,462.00	245	5,492.20	235	5,776.87	167	5,817.73	159
FY 1998-99	5,413.47	382	5,462.00	245	5,492.20	235	5,776.87	167	5,817.73	159
FY 1999-2000	5,700.00	245	5,700.00	245	5,730.20	235	6,014.87	167	6,055.73	159
FY 2000-01	6,000.00	245	6,000.00	245	6,031.00	235	6,315.00	167	6,356.00	159
FY 2001-02	6,500.00	196	6,500.00	196	6,500.00	196	6,615.00	167	6,656.00	159
FY 2002-03	6,700.00	208	6,700.00	208	6,700.00	208	6,815.00	178	6,856.00	170
FY 2003-04	6,700.00	208	6,700.00	208	6,700.00	208	6,815.00	178	6,856.00	170
FY 2004-05	6,700.00	208	6,700.00	208	6,700.00	208	6,815.00	178	6,856.00	170

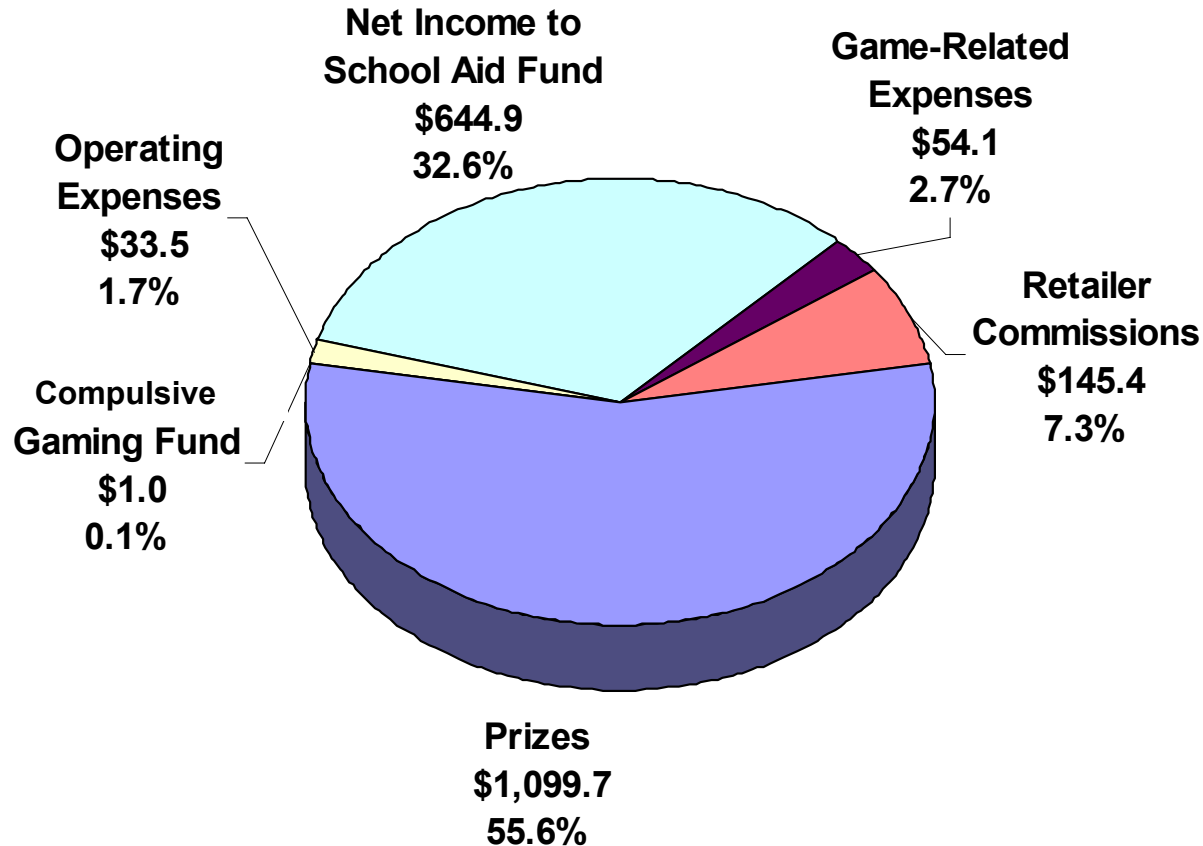
Note: Rank is defined where 1 = district with the highest foundation allowance and 553 = district with the lowest foundation allowance.

In FY 2000-01, there were 307 districts at the minimum/basic of \$5,700.

In FY 2001-02, there were 356 districts at the minimum/basic of \$6,500.

Today, in FY 2004-05, there are 345 districts at the minimum/basic of \$6,700.

Distribution of Lottery Revenue FY 2003-2004 (amounts in millions)



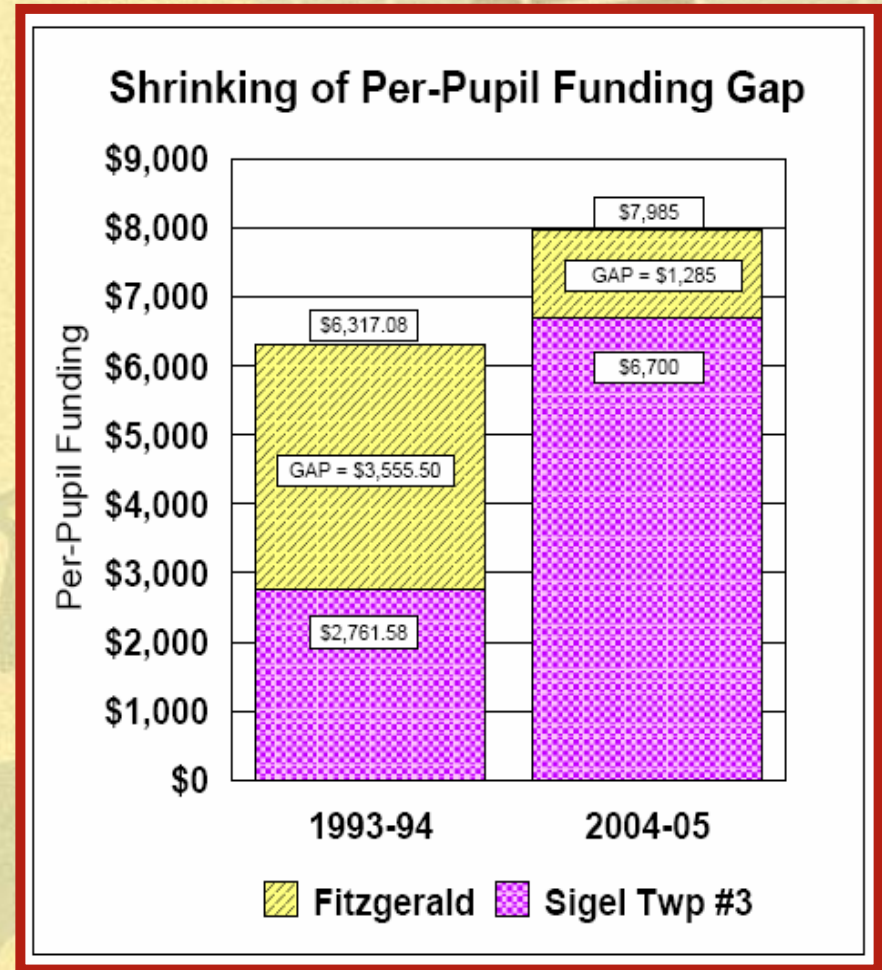
Before Proposal A

- Very unequal school funding from district to district.
- No cap on property taxes at the rate of inflation.
- Some residents, especially senior citizens, were being taxed out of their homes.



Proposal A Background

- In 1994, Michigan voters approved Proposal A which cut property taxes while increasing the sales tax to 6%. It cut funding inequality.
- The chart shows funding changes between the state's highest and lowest funded districts.



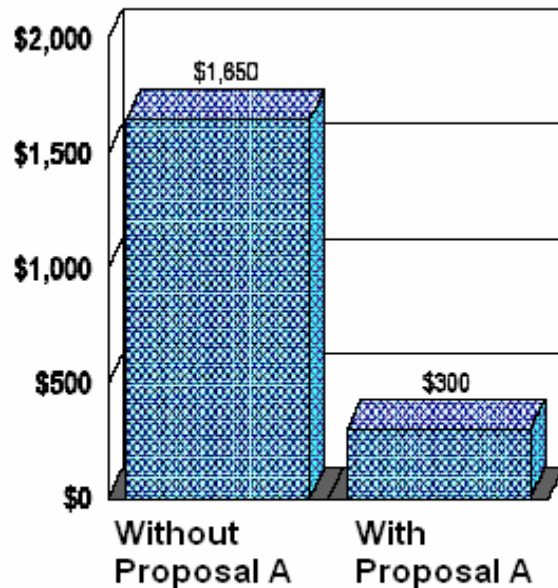
Source: Senate Fiscal Agency

Proposal A Background

- Since Proposal A, total education funding has increased 41%, surpassing the inflation rate of 27% during that time period.
- Between FY 1995 and FY 2003, per-pupil funding minimums increased at 2.5 times the rate of inflation.

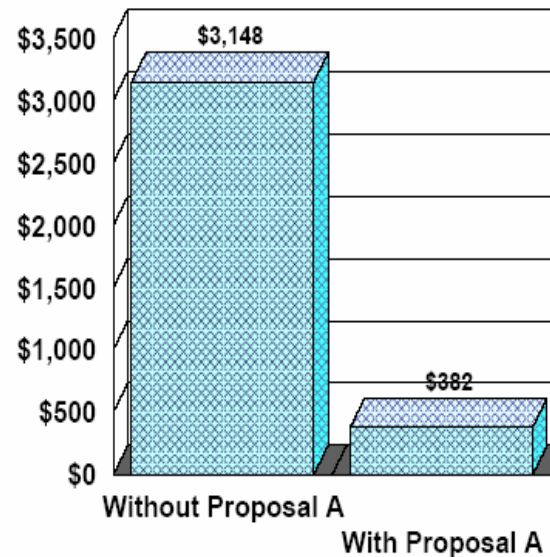
Proposal A Comparison

Operations Taxes Paid on Home Valued at \$100,000



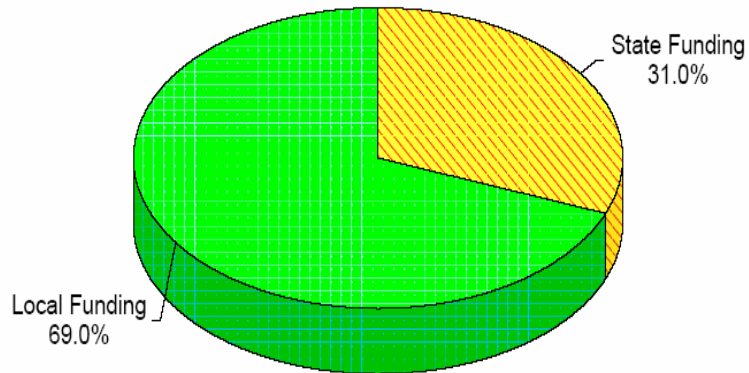
Average operational mills in 1993 were 33.
Most homeowners today pay 6 mills for operations of schools.
Most businesses today pay 24 mills for operations of schools.

**Operations Taxes Paid on Home Valued at \$100,000 in 1993
Same Home Valued at \$190,800 in 2005**

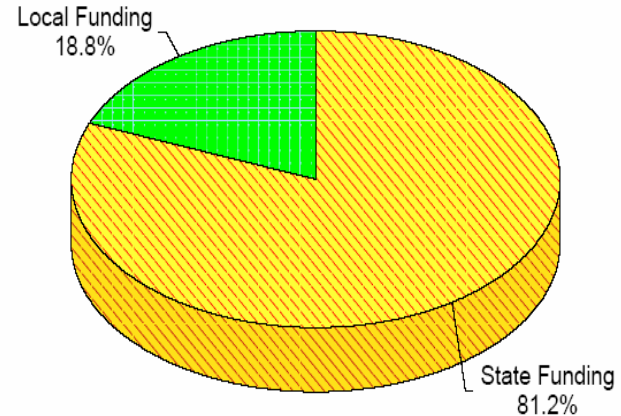


Proposal A Comparison

State/Local Funding Mix Before Proposal A



State/Local Funding Mix After Proposal A



Challenges Before Us

- Per-pupil spending on teachers' retirement and health-care rose. The proposed \$175 per-pupil increase will be **eaten up solely** by health care and pension cost increases.

\$6,700	Per-Pupil Amount
+ 175	Proposed Increase
<hr/>	
=6,875	New Per-Pupil Amount
- 225	Estimated Healthcare & Pension Cost*
<hr/>	
= \$6,650	Actual Per-Pupil Amount

* \$225 estimate comes from Citizens Research Council of Michigan.

Rising Health Care Costs

- How school-employee health plans compare with other plans.

	Average Rx Co-pay Individual/family	Average health-care deductible Individual/family
Detroit Schools*	\$3/\$8	\$0 (\$50 ER) [†]
GR Schools	\$5/\$10	\$100/\$200
Ford Motor Co.*	\$5/\$10	\$250/\$500
State of MI	\$7/\$15	\$200/\$400
Small firms (3-199 employees)	\$4.50/\$45***	\$559/\$1,089**
Large Firms (1,000-3,999)	\$10/\$21**	\$217/\$455 (\$208 ER)**

MI statistics vs. the Nation

Fact	National	Michigan	Difference
Average salary for teachers:	\$46,726	\$54,806	\$8,080
Average of required work days for full-time employees with a bachelors degree:	240	188	52 days
Average of salary per day for individuals 18 years and older with a bachelors' degree:	\$213.36	\$291.52	\$78.16

▲
(Avg. for MI's teacher's/ day)

Options

- **Raise taxes.**
- **Cut costs.**



Suggestions to Fix Funding

- Reform the pension system for school employees:
 - Use defined contribution system for new employees.
 - Require school employees to work more than five years before vesting for health care.

Suggestions to Fix Funding

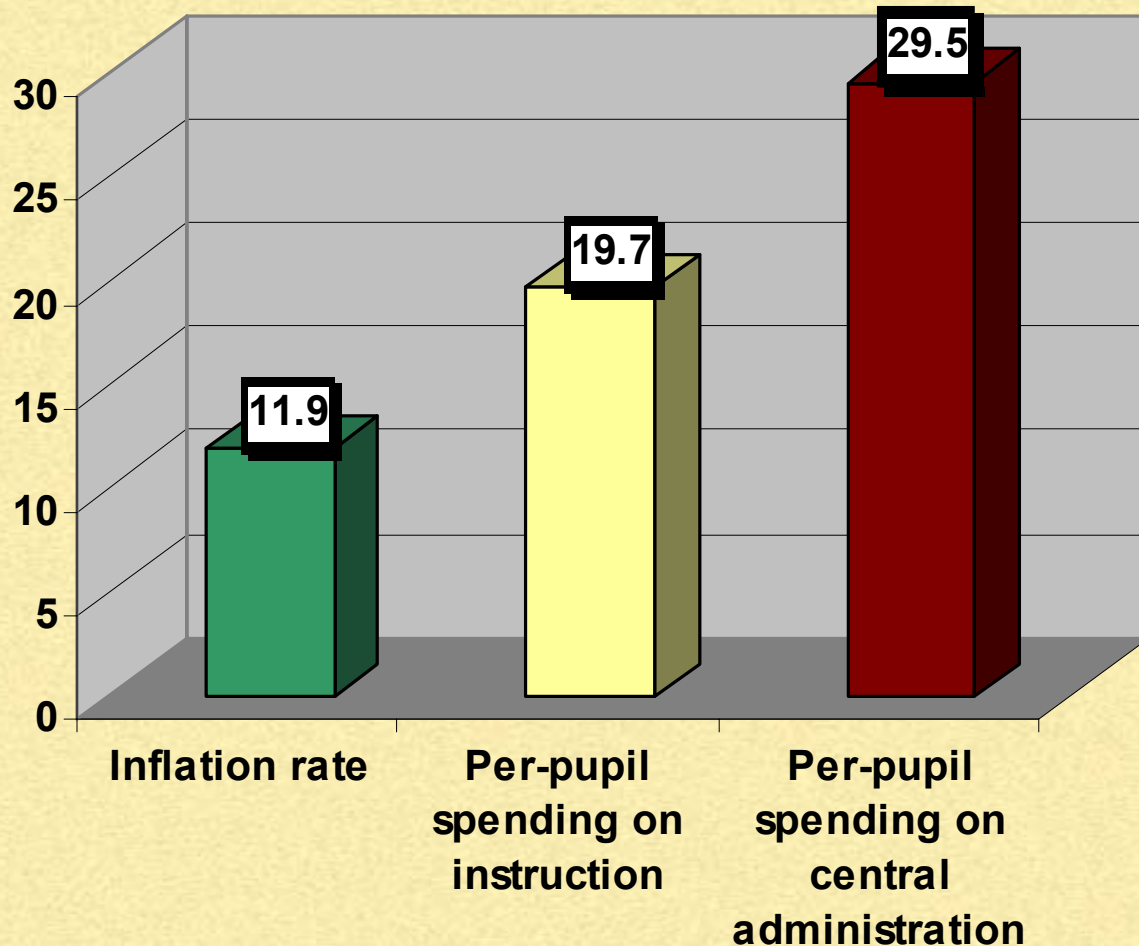
- Reform health-care system.
 - Move school employees into state health-care plan.
 - Competitive bidding of services.

Suggestions to Fix Funding

- Consolidate services among districts:
 - Food service
 - Bus maintenance
 - Technology
 - Transportation
 - Staff development
 - Administration

Challenges Before Us

Percent increase in costs between 1998 and 2002



Source: Standard and Poor's

Frequently Asked Questions?

- **I thought I wasn't going to be paying for schools through property taxes. Why do I see the education tax on my tax bill?**
 - Homeowners and others still pay a statewide 6-mill education tax. But the majority of school funding comes from the sales tax.



Frequently Asked Questions?

- **Why do some districts get more money than others?**
 - Funding is based on how many students a district has and on how much that district was getting per-pupil before Proposal A went into effect.



Frequently Asked Questions?

- **Why can't my neighbors and I vote to raise our property taxes to support local education if we want to?**
 - **You can.** Intermediate school districts, which usually comprise all the local districts in a county, can seek voter approval for a property tax increase to raise money.



For more information

- This report can be viewed by visiting:

www.senate.michigan.gov/garcia

